

Message Text

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ACTION IO-13

INFO OCT-01 AF-08 ARA-06 EA-07 EUR-12 NEA-10 ISO-00 ORM-02

DHA-02 AID-05 TRSE-00 OMB-01 ABF-01 CU-02 CIAE-00

DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01

PRS-01 SP-02 SS-15 USIA-06 IGA-02 AGR-05 FRB-03 EB-07

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R 190800Z MAY 76

FM AMEMBASSY AMMAN

TO SECSTATE WASHDC 7958

INFO AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMCONSUL JERUSALEM

AMEMBASSY TEL AVIV

USMISSION USUN NEW YORK

C O N F I D E N T I A L AMMAN 2675

E.O. 11652: GDS

TAGS: PINE, SREF, JO, UNRWA

SUBJECT: UNRWA FINANCIAL PROBLEMS

1. EMBASSY HAS RECEIVED COPIES OF 26 MARCH AND 14 MAY LETTERS TO UNRWA ADVISORY COMMISSION FROM COMMISSION'S SECRETARY, BOTH OF WHICH CONTAIN MEMORANDA ON UNRWA'S FINANCIAL POSITION. GIST OF MEMORANDA IS THAT UNLESS FIRM PLEDGES OF ADDITIONAL CASH CONTRIBUTIONS ARE FORTHCOMING BY MID-JUNE, UNRWA'S LIABILITIES WILL EXCEED ITS ASSETS. AS THE COMMISSIONER-GENERAL INFORMED THE SPECIAL POLITICAL COMMITTEE IN NOVEMBER, 1975, THAT CONDITION IN HIS OPINION WOULD BE IN BREACH OF THE AGENCY'S FINANCIAL REGULATIONS AND IT COULD NOT CONTINUE.

2. ACCORDING TO MEMORANDA (PARA 1 ABOVE), UNRWA
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DEFICIT FOR 1976 NOW PROJECTED TO BE DOLLARS FORTH-THREE

MILLION--REDUCTION OF DOLLARS EIGHT MILLION FROM EARLIER (DOLLARS FIFTY-ONE MILLION) ESTIMATE. (REASONS INCLUDE MORE FAVORABLE LOCAL EXCHANGE RATES WITH US DOLLAR AND LOWER FOOD PRICES.) THAT SMALLER DEFICIT, HOWEVER, CANNOT BE MET FROM TERMINATING PURCHASE OF FLOUR OR EVEN SCHOOL EDUCATION PROGRAM, ASSUMING SUCH DRASTIC ACTION WERE POLITICALLY ACCEPTABLE AND WOULD LEAVE UNRWA WITH ANY KIND OF VIABLE OPERATION--TWO ASSUMPTIONS WHICH UNRWA REJECTS. SPECIAL, ADDITIONAL CASH CONTRIBUTIONS WHICH COULD OFFSET OR AT LEAST STRETCH OUT DEFICIT HAVE NOT YET BEEN FORTHCOMING.

3. AS FAR AS UNRWA JORDAN OPERATION CONCERNED, EVEN MORE IMMEDIATE PROBLEMS IS THAT THERE IS NO FLOUR TO DISTRIBUTE FROM ITS STOCKS FOR JUNE, JULY AND AUGUST. (CASH WAS UNAVAILABLE TO PRE-ORDER FOR THOSE MONTHS IN MARCH, APRIL, AND, IT SEEMS, MAY.) CONTRIBUTIONS IN KIND EXPECTED TO ARRIVE IN SEPTEMBER TO MEET REMAINDER OF YEAR (THERE MAY BE ANOTHER SHORTFALL IN DECEMBER). GOJ HAS ASKED UNRWA NOT TO DISCONTINUE RATIONS DURING SUMMER AND INDICATED IT MAY BE WILLING TO LOAN FLOUR FROM ITS STOCKS TO TIDE UNRWA OVER UNTIL ITS SEPTEMBER STOCKS ARRIVE. UNRWA/JORDAN AGREEABLE, BUT SUGGESTING IT REPAY LOAN HALF IN REST OF 1976, HALF IN FIRST SIX MONTHS OF 77, BY WHICH TIME UNRWA EITHER WOULD HAVE RECEIVED ADDITIONAL CASH OR KIND CONTRIBUTIONS GIVING IT MORE FLOUR OR-, AT WORST, GO ON HALF RATIONS DURING THAT PERIOD. IN EITHER CASE, RATION CRUNCH WOULD BE DELAYED.

4. SOMEWHAT ODDLY, THUS FAR GOJ, UNLIKE DURING OTHER UNRWA CRISES, HAS NOT APPROACHED US OR, AS FAR AS WE KNOW, EMBASSIES OF OTHER DONOR COUNTRIES IN AMMAN REGARDING UNRWA'S CURRENT PREDICAMENT. UNRWA AWARE OF THIS AND IS CONTEMPLATING HOLDING AN ADCOM MEETING SHORTLY IN AMMAN. IT MAY BE THAT CURRENT FOREIGN POLICY PROBLEMS, ESPECIALLY HAWK MISSILE RELATED ONES, HAVE KEPT PRIME MINISTER RIFAI FROM FOCUSING ON ISSUE. MEANWHILE, MINISTER OF SUPPLY INFORMALLY RAISED WITH AMBASSADOR RECENTLY PROSPECT OF US ASSISTANCE REGARDING PROBLEM, BY HAVING US INCREASE BILATERAL AID OF FLOUR
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(UNDER PL-480) TO GOJ WHICH IN TURN WOULD USE IT FURTHER TO SUBSIDIZE MARKET PRICES OF FLOUR FROM WHICH PALESTINE REFUGEES ALONG WITH OTHERS WOULD BENEFIT. PROPOSAL RAISES A NUMBER OF PROBLEMS -- PROGRAMMATIC, POLITICAL (FOR JORDAN, UNRWA AND US), AND ADMINISTRATIVE-- BUT PERHAPS OPPORTUNITIES AS WELL, AND EMBASSY WILL BE FORWARDING SOME FURTHER THOUGHTS ON DEALING WITH GOJ APPROACH AND WITH PERENNIAL UNRWA CRISIS.

5. BECAUSE WE HAVE NOT SEEN LETTERS MENTIONED PARA 1 ABOVE REPORTED ELSEWHERE, EMBASSY FORWARDING COPIES TO NEA/ARN.

6. COMMENT: PROSPECTIVE UNRWA SHORTFALL THIS SUMMER COINCIDES WITH RECENT SPURT IN INFLATION, WHICH IS CAUSING CONSIDERABLE GRUMBLING AMONG MIDDLE AND LOWER ECONOMIC GROUPS, PARTICULARLY INCLUDING PALESTINIAN REFUGEES. AS IN PREVIOUS YEARS, REFUGEES APPARENTLY REFUSE TO BELIEVE THERE WILL NOT BE LAST-MINUTE REPRIEVE ON RATIONS' ISSUE. THERE IS SOME LIKELIHOOD GOJ WILL ITSELF ABSORB RATION COSTS RATHER THAN FACE POSSIBILITY OF POTENTIALLY DESTABILIZING "FOOD RIOTS" THIS SUMMER. GOJ WOULD OBVIOUSLY HOPE INTERNATIONAL COMMUNITY WOULD MAKE UP DEFICIT., PARTICULARLY PRIOR TO SEPTEMBER UNRWA SCHOOL YEAR. EVEN IF GOJ ABSORBS RATION COSTS HOWEVER, CURRENTLY PROJECTED LACK OF FUNDS WOULD NOT PERMIT FALL 1976 SCHOOL OPENING. THIS SITUATION WOULD POSE SIMILAR DANGER OF STRIKES OR ADDITIONAL CHARGE ON 1976 GOJ BUDGET, WHICH IS ALREADY ENCOUNTERING CASH FLOW PROBLEM.

7. ACTION REQUESTED: THT DEPARTMENT PROVIDE US WITH BRIEF ASSESSMENT OF WHERE CURRENT INTERNATIONAL RESPONSE STANDS TO THIS YEAR'S RECORD UNRWA DEFICIT. PICKERING

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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
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Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

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